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DEPARTMENT FOR NEA/ARP AND EEB/ESC/IEC

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SUBJECT: UAE INPUT FOR NEW REQUIRED REPORTS TO CONGRESS ON ENERGY

REF: SECSTATE 10743

¶1. Post appreciates the opportunity to provide input to the Department's report to Congress as required by the Energy Independence and Security Act of 2007. The UAE qualifies as a major energy producer. Increasingly, with rapid economic development, the UAE is becoming a larger energy consumer as well. For example, the UAE currently imports natural gas from Qatar via the Dolphin Project pipeline. Under the UAE's constitution, natural resources belong to the individual emirates, rather than the United Arab Emirates as a whole. The emirate of Abu Dhabi has over 90 percent of the oil and gas reserves in the UAE. For that reason, most energy reporting has been done at the Embassy rather than at the Consulate General. Consulate General staff have reported on energy issues in Dubai and the northern emirates, especially on issues related to possible purchases of Iranian natural gas.

¶2. The economic section and the Foreign Commercial Service both deal with energy matters. The economic section chief devotes around fifteen percent of his time to energy issues, although that percentage varies and is likely to increase with the UAE's interest in exploring the development of peaceful nuclear power. The economic section FSN devotes around ten percent of his time. The Dubai poleconoff devotes less than 5 percent of her time to energy matters. FCS devotes about 30 percent of the time of one FSN and 15 percent of the time of the Commercial Counselor. In the past, we devoted more economic section resources to energy matters. However, over the past two years, we have lost two full time economic officer positions at the Embassy. In addition, Consulate General Dubai has lost one full time Pol/Econ officer position as well as a planned FY 2008 Pol/Econ chief position. Post front office personnel (Ambassador, Charge, CG) also play active roles.

¶3. Unfortunately, the loss in personnel coincides with increasing USG and U.S. business interest in the UAE's development of both oil and gas production capacity. The loss also comes as the UAE begins to explore the development of peaceful nuclear power and increases its overseas energy-related investments. The Emirate of Abu Dhabi is currently in the final stages of tendering a project to develop onshore sour gas reserves. In addition, Abu Dhabi's onshore oil concession expires in 2014, which should increase advocacy opportunities for U.S. firms as Abu Dhabi decides how it will re-bid these concessions.

¶4. The Economic section chief has been in Abu Dhabi covering energy issues for four and a half years and is a graduate of the FSI/EEB oil and gas course. During that time, Embassy and Consulate General personnel have actively engaged the UAE on issues such as the need for OPEC to increase oil production and for Abu Dhabi to invest in increasing oil production capacity, and to express our opposition to a

proposed Crescent Petroleum/Iranian natural gas deal. We have also advocated successfully on behalf of U.S. firms operating in the energy sector. For example, the Embassy engaged in a multi-year effort to support ExxonMobil's successful 2006 bid for a 28 percent stake in the giant Upper Zakum offshore oil field. We have reported aggressively on oil production decisions, the state of the UAE's critical energy infrastructure, rapid growth in energy demand - and the attendant search for energy supplies, whether imported (Qatar or possibly Iran) or alternative (nuclear, renewable, coal). Recently, the Embassy has worked closely with the UAE as it explores developing peaceful nuclear power. We actively brief U.S. businesses on the UAE's energy environment and on issues related to investment. Finally, we handle a steady stream of visitors interested both in energy issues and in the disposition of Abu Dhabi's energy wealth (i.e., sovereign wealth funds).

¶5. In FY 2007, the Embassy spent approximately USD 2,500 on representational events that had a energy-related focus. Post includes energy related contacts in almost all representational events, so total spending is, in fact, somewhat higher. State Department personnel costs for the time devoted to energy issues -- not including Ambassador or Charge -- in FY 2007 were roughly USD 23,500 for Abu Dhabi and Dubai combined.

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